

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 A-01 M-02 EB-11 L-03 AID-20 IGA-02

COME-00 TRSE-00 OMB-01 CIAE-00 INR-11 NSAE-00 RSC-01

PA-04 PRS-01 USIE-00 HEW-08 SS-20 NSC-07 CIEP-03

DRC-01 SSO-00 NSCE-00 INRE-00 ARAE-00 INT-08 H-03

IO-14 FRB-03 SP-03 /148 W

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O 021400Z AUG 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 5359

C O N F I D E N T I A L SECTION 1 OF 2 KINGSTON 2666/1

FROM AMBASSADOR

E.O. 11652: GDS

TAGS: EAID, EMIN, JM

SUBJ: JAMAICA EDUCATION SECTOR LOAN

REF: A. STATE 162106; B. KINGSTON 2613

BEGIN SUMMARY: AMB AND AID AFFAIRS OFFICER MET WITH MINISTRY OFFICIALS ON JULY 31 TO ADVISE THEM OF THE RUAL EDUCATION LOAN AUTHORIZATION AND TO DISCUSS POSSIBLE CONSTRAINTS TO LOAN AGREEMENT EXECUTION. WHILE RELIEVED THE LOAN WAS AUTHORIZED MINED OFFICIALS EXPRESSED GREAT REGRET THERE WAS AN IMPLICATION THAT LOAN IMPLEMENTATION COULD BE LINKED TO BAUXITE NEGOTIATIONS. THEY SAID THIS COULD LEAD TO A SERIOUS RUPTURE OF USG/GOJ RELATIONS AND PLACE ALUMINUM COMPANIES IN MOST UNFAVORABLE NEGOTIATING POSITION.
END SUMMARY.

1. ACCOMPANIED BY AID AFFAIRS OFFICER I MET WITH EDUCATION MINISTER COOKE, PERMSEC MILLER AND CHIEF EDUCATION OFFICER MURRAY AT NOON JULY 31. THE MEETING LASTED ONE AND ONE-HALF HOURS AND WAS THE MOST LIVELY AND CANDID SESSION I HAVE HAD WITH JAMAICAN
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GOVT OFFICIALS SINCE MY ARRIVAL.

2. SINCE THIS WAS MY FIRST OPPORTUNITY TO CALL ON MINISTER COOKE, WE HAD AN EXCHANGE OF VIEWS ON EDUCATION PROBLEMS, EXTERNAL INFLUENCES ON THE SYSTEM DUE TO COLONIAL HERITAGE AND COMMENTED ON THE RESULTS OF THE RECENT COMMONWEALTH EDUCATION CONFERENCE. IT WAS CLEAR, HOWEVER ALL THREE GOJ OFFICIALS WERE WAITING FOR AN APPROPRIATE OPPORTUNITY TO INTRODUCE THE SUBJECT UPPERMOST ON THEIR MINDS, THE RURAL EDUCATION LOAN. MINISTER COOKE BEGAN BY POINTING OUT THAT THERE WAS A GREAT DEAL OF UNCERTAINTY IN THE MINISTRY WITH REGARD TO THE AID LOAN AND THAT THEY HAD BEEN EXPECTING TO RECEIVE INFORMATION ON ITS STATUS. HE SAID THERE WAS SPECULATION IN SOME CIRCLES THAT LACK OF US RESPONSIVENESS WAS IN SOME WAY RELATED TO THE BAUXITE CONTROVERSY. I INDICATED THAT INDEED THERE HAD BEEN CONSIDERABLE CONSTERNATION ON THE PART OF SOME MEMBERS OF CONGRESS, AGENCIES IN THE EXECUTIVE BRANCH OF USG, AND THE PRIVATE SECTOR OVER THE WAY JAMAICA HAD HANDLED THE BAUXITE NEGOTIATIONS. THESE GROUPS WERE PARTICULARLY CONCERNED OVER THE ABRUPTNESS IN WHICH THE TALKS WERE TERMINATED AND THE UNILATERAL WAY IN WHICH LONG-STANDING AGREEMENTS HAD BEEN ABROGATED BY LEGISLATION. I STATED THAT EVEN THOSE INDIVIDUALS OR GROUPS MOST SYMPATHETIC TO JAMAICA'S POSITION DEPLORED JAMAICAN GOVT'S DECISION NOT TO SUBMIT THE CONTROVERSY TO INTERNATIONAL ARBITRATION. I SAID OBVIOUSLY THIS KIND OF REACTION COULD NOT BUT INFLUENCE THE PACE OF THE RURAL EDUCATION LOAN APPROVAL PROCESS.

3. P.S. MILLER ALLUDED TO MY PREDECESSOR'S TESTIMONY WHICH LINKED US ASSISTANCE AND GOJ POLICY TOWARD ALUMINUM COMPANIES. HE INDICATED THIS CAUSED GREAT CONCERN IN JAMAICA SINCE THERE WAS AN IMPLICATION THAT USG WOULD PUT INTERESTS OF ALUMINUM COMPANIES AHEAD OF HUMANITARIAN CONSIDERATIONS. HOWEVER, MINISTER COOKE STATED THAT THERE WAS A LARGE RESERVOIR OF GOOD WILL FOR US IN JAMAICA FOR PAST US ASSISTANCE WHICH HAD BEEN SO GENEROUSLY AND UNSELFISHLY PROVIDED. THE MINISTER WENT ON TO SAY JAMAICAN HAD A GREAT DEAL OF PRIDE AND WOULD NOT BE WILLING TO RECEIVE INTERNATIONAL ECONOMIC ASSISTANCE FROM ANY SOURCE WHICH WOULD INFRINGE ON WHAT THEY CONSIDERED TO BE THEIR SOVEREIGN INTEREST EVEN IF IT HURT THEM ECONOMICALLY. MINISTER WENT ON TO SAY THAT HE HOPED TO INCLUDE REFERENCE TO THE AID LOAN IN HIS BUDGET SPEECH AND HAD POSTPONED HIS PRESENTATION WITH EXPECTATION OF GETTING A DEFINITIVE RESPONSE. HE ADVISED US THAT THE GOJ WAS TO GO INTO "RETREAT"

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NEXT WEEK AND WANTED TO BE ABLE TO INFORM CABINET OF USG POSITION ON THE LOAN. I ADVISED THE MINISTER THE LOAN HAD BEEN AUTHORIZED AND THAT WE WERE PREPARED TO BEGIN NEGOTIATIONS AT AN EARLY DATE. I WENT ON TO SAY THAT OUR ABILITY TO PROVIDE ASSISTANCE WAS NOT UNRELATED TO DEVELOPMENTS IN FUTURE BAUXITE NEGOTIATIONS BECAUSE OF CONGRESSIONAL CONCERN AND LEGISLATIVE PROHIBITION IN OUR FOREIGN ASSISTANCE ACT. I STATED THAT THE BAUXITE SITUATION COULD AFFECT ANY FINAL EXECUTION OF THE LOAN AGREEMENT. THE

MINISTER SAID HE WAS GRATIFIED TO LEARN OF THE LOAN AUTHORIZATION BUT HE WAS EXTREMELY DISTRESSED THAT USG APPEARED TO HAVE ATTACHED A CAVEAT TO LOAN IMPLEMENTATION. IN FACT HIS OWN INITIAL REACTION WAS TO REFUSE RURAL EDUCATION LOAN BUT UPON REFLECTION HE RECONSIDERED RECOGNIZING THE GREAT NEED FOR THIS ASSISTANCE AS WAS POINTED OUT BY IBRD AND OTHERS AFTER CONSIDERABLE EFFORT AND STUDY. HE SAID HOWEVER AS A PRACTISING CHRISTIAN IT WAS DIFFICULT FOR HIM TO UNDERSTAND HOW US AS A NATION COULD TAKE POSITION THAT WELFARE OF ALUMINUM COMPANIES COULD TAKE PRECEDENCE OVER DESPERATE NEEDS OF RURAL POOR. HE SAID HE DOUBTED THE AMERICAN PEOPLE WOULD CONDONE SUCH A POSITION. IN ADDITION HE SAID THE MINISTRY HAD A REAL PLANNING PROBLEM AS TO WHETHER TO GO FORWARD WITH THE LOAN PROGRAM THIS YEAR OR NOW TO DEFER IT BECAUSE OF THE VAGUENESS OF IMPLIED CAVEAT CONCERNING THE SATISFACTION OF USG INTERESTS. A SERIES OF EXTREMELY CANDID EXCHANGES FOLLOWED:

4. THE MAIN GOJ POINTS WERE: (1) TO LINK EXECUTION OF LOAN AGREEMENT WITH BAUXITE NEGOTIATIONS WOULD SERIOUSLY DAMAGE GOJ US RELATIONS AND WOULD HAVE NO EFFECT ON BAUXITE NEGOTIATIONS OTHER

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ACTION ARA-20

INFO OCT-01 ISO-00 A-01 M-02 EB-11 L-03 AID-20 IGA-02

COME-00 TRSE-00 OMB-01 CIAE-00 INR-11 NSAE-00 RSC-01

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 5360

C O N F I D E N T I A L SECTION 2 OF 2 KINGSTON 2666/2

THAN TO PLACE ALUMINUM COMPANIES IN AN EXTREMELY UNFAVORABLE POSITION; (2) TO PLACE CONDITIONS ON LOAN WOULD PROVIDE OPPORTUNITY

FOR SOME MEMBERS OF CABINET TO URGE REJECTION OF LOAN AND RECOMMEND POLITICAL REACTION; (3) IN THE INTEREST OF CONTINUED US JAMAICAN FRIENDSHIP, THEY URGED WE REFRAIN FROM INCLUDING ANY FORMAL REFERENCE TO ANY CAVEATS TO LOAN EXECUTION. WE POINTED OUT: (1) LOAN AUTHORIZATION ITSELF REFLECTS OUR CONFIDENCE THAT REMAINING BAUXITE ISSUES WOULD BE SATISFACTORILY RESOLVED THUS REMOVING ANY POSSIBLE OBSTACLES TO LOAN IMPLEMENTATION; (2) USG POSITION POSSIBLY UNDULY INFLUENCED BY A BROAD RANGE OF DOMESTIC PROBLEMS INCLUDING PREOCCUPATION WITH DOUBLE DIGIT INFLATION WHICH PRICE INCREASED FOR ALUMINUM WOULD AGGRAVATE, POLITICAL UNCERTAINTIES AND PREOCCUPATION OVER WATERGATE ISSUE, AND PRESSURES IN CONGRESS AND EXECUTIVE BRANCH BY LEGITIMATE SPECIAL INTEREST GROUPS; (3) RECOMMENDED THAT EVERY EFFORT BE MADE BY USG AND GOJ TO EMPHASIZE POSITIVE ASPECTS OF SITUATION AND THAT WE PROCEED IN GOOD FAITH TOWARD NEGOTIATION AND EXECUTION OF LOAN AGREEMENT. ADDITIONALLY, WE STATED THAT IT WAS IN MUTUAL INTEREST OF USG AND GOJ THAT THE ISSUE NOT BE ESCALATED TO ALLOW THE ORDERLY PROGRESS OF BAUXITE NEGOTIATIONS. MR. CAMPBELL EXPLAINED IN SOME DETAIL THE STEPS LEADING UP TO LOAN EXECUTION AND BEYOND TO THE SATISFACTION OF CONDITIONS PRECEDENT PRIOR TO LOAN DISCONFIDENTIAL

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BURSEMENT.

5. MINISTER COOKE AGREED AND INDICATED THEY WOULD MAKE SINCERE EFFORT ON THEIR SIDE TO DEFUSE THIS POTENTIALLY EXPLOSIVE SITUATION. HE SAID "THERE WERE CERTAIN MEMBERS OF CABINET HE COULD NOT INFLUENCE" AND THAT THESE WOULD FAVOR IMMEDIATE ESCALATION OF THE ISSUE. HE THEN ASKED WHAT HE COULD SAY TO CABINET ABOUT LOAN DURING UPCOMING RETREAT, AS HE WOULD HAVE TO ASK FOR SUPPLEMENTARY BUDGET IF GOJ WAS TO GO FORWARD WITH LOAN PROGRAM. MR. CAMPBELL RESPONDED BY SAYING THAT CABINET COULD BE ADVISED USG HAD SET ASIDE \$9.1 MILLION IN SUPPORT EDUCATION PROGRAM AND THAT WE ARE PREPARED TO BEGIN LOAN NEGOTIATIONS AT GOJ CONVENIENCE AFTER THEIR REVIEW OF DRAFT LOAN AGREEMENT.

6. COMMENT: IT WAS CLEAR FROM OUR DISCUSSION THAT MINED OFFICIALS HAVE BEEN COUNTING HEAVILY ON AID LOAN AND WERE ANXIOUS TO PROCEED WITH PROGRAM. HOWEVER, IT WAS ALSO EVIDENT THAT THEY FELT IF IT WAS PUBLICLY KNOWN USG WAS PLACING CONDITIONS ON LOAN, GOJ WOULD REJECT LOAN. THEY WERE DEEPLY CONCERNED WHAT THIS ACTION WOULD DO TO US/JAMAICAN RELATIONS. IT WAS EVIDENT THAT OUR GOJ COLLEAGUES WERE SERIOUSLY DISAPPOINTED AND DISTRESSED THAT USG APPEARED TO BE LINKING FAVORABLE TREATMENT TO ALUMINUM COMPANIES WITHOUT ASSISTANCE. AT CLOSE OF MEETING WE INDICATED THAT A PRESS RELEASE ON LOAN AUTHORIZATION WAS PLANNED AND WE HOPED IT COULD BE ISSUED JOINTLY. WE SAID WE WOULD BE DISCUSSING THE TEXT WITH THEM. THEY STRONGLY URGED AGAIN THAT NO MENTION BE MADE OF CONDITIONS IN THE RELEASE. I ASSUME DEPT HAS OR WILL BE TALKING FURTHER TO AMB FLETCHER AND WOULD APPRECIATE ANY INFORMATION ON CONVER-

SATIONS. I SEE A POTENTIALLY SERIOUS SITUATION EVOLVING AND URGE THAT A POSITION BE DEVELOPED WHICH WOULD MAKE CLEAR THE POINT AT WHICH USG REQUIREMENTS WOULD OR WOULD NOT BE MET AND WE AND GOJ COULD EITHER PROCEED OR NOT WITH THE LOAN. I AM UNCLEAR WHETHER PHRASE IN REFTEL "AN ACCEPTABLE AGREEMENT IS NOT REACHED WITH THE ALUMINUM COMPANIES" RELATES TO ISSUES WHICH REMAIN TO BE NEGOTIATED OR INCLUDES REVENUE QUESTION WHICH GOJ REGARDS AS BEING CLOSED. SOME MORE DEFINITE TIME FRAME AND GOJ FACE-SAVING FORMULA IS ESSENTIAL.

7. AS INDICATED REF B., ON JULY 29 I REQUESTED AN APPOINTMENT WITH PM MANLEY IN ORDER TO PERMIT HIM TO DISCUSS THE AID EDUCATION LOAN IF HE WISHED TO DO SO AND, IF POSSIBLE, DEFUSE ISSUE. THAT AFTER-
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NOON I HAD THE OPPORTUNITY FOR A FEW WORDS WITH HIM AT THE AIRPORT AT THE ARRIVAL OF MEXICAN PRESIDENT ECHEVERRIA. PM INDICATED THAT THE TIME HAD COME FOR A GENERAL TOUR D'HORIZON, AND I TOLD HIM I HAD ALREADY REQUESTED AN APPOINTMENT. ON JULY 31, HOWEVER, HE LET US KNOW INDIRECTLY THAT HE WOULD JUST AS SOON POSTPONE OUR MEETING A WEEK OR SO "FOR REASONS OF SCHEDULE" IF I HAD NOTHING URGENT TO TAKE UP WITH HIM. HIS SCHEDULE INCLUDES THE RETREAT NEXT WEEK WITH HIS CABINET AND ADVISORS AT WHICH THE NEW OF THE EDUCATION LOAN AND GOJ RESPONSES TO IT ARE LIKELY TO BE AMONG THE PRINCIPAL TOPICS OF CONVERSATION. I HAVE NOT PRESSED HIM FOR A MEETING NOW.
GERARD

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Message Attributes

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Control Number: n/a
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Draft Date: 02 AUG 1974
Decaption Date: 01 JAN 1960
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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Disposition Reason:
Disposition Remarks:
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